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SENIOR INTERDEPARTMENTAL GROUP-INTERNATIONAL ECONOMIC POLICY

3:00 p.m.
April 7, 1983
Roosevelt Room

Attendees: (U)

Treasury
Secretary Regan
Marc Leland
John E. Chapoton

Office of Vice President
G. Philip Hughes

State
W. Allen Wallis

Defense
James R. Blaker
William Weida

Agriculture
Secretary Block

Commerce
Secretary Baldrige
Olin Wethington

CIA
Henry Rowen
Maurice Ernst

Justice
Glenn Archer
Michael Shepherd

OMB
Fred Khedouri

OPD
Edwin Harper
Roger Porter

USTR
Dennis Whitfield
Geza Feketekuty

CEA
William Niskanen
Glenn Nelson

NSC
Norman Bailey,
Executive Secretary
William Martin

Helms Agricultural Trade Act (U)

The Chairman asked Secretary Block to introduce this issue. The Act, as approved by the Senate Agriculture Committee, is a bill designed to maintain and enhance foreign markets for U.S. agriculture products. Part of the bill calls for the Secretary to use funds generated by required sales of CCC owned dairy products to promote exports in whatever form is necessary to compensate for other countries' export subsidies. All SIG-IEP members voiced opposition to the bill. If it appears that the bill might pass, even with strong Administration opposition, then we may have to seek some amendments--but only as a last resort. (S)

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SECRETNetherlands Antilles Tax Treaty (U)

A new tax treaty between the United States and the Netherlands Antilles has been under negotiation by the Treasury Department since 1980. Over the past twenty-five years, the Netherlands Antilles has exploited its tax haven status due to its tax treaty relationship with the United States. A primary use of the Netherlands Antilles is by residents of third countries who can minimize or totally avoid U.S. income tax. U.S. companies have also utilized Antilles entities to gain access to Eurodollar funds without being subject to the U.S. 30 percent withholding tax. There are approximately \$50 billion of outstanding Eurobonds of Antilles finance subsidiaries issued since 1974. (S)

The new treaty seeks to close a number of tax loopholes without unduly damaging the Netherlands Antilles economy. Negotiators for the Antilles appear to have been encouraged to continue to hold out for additional U.S. concessions, which has led the Antilles to reject prior proposals by the U.S. delegation and to delay responding to our most recent proposal. (S)

It was pointed out that failure to reach agreement on a new tax treaty may jeopardize drug enforcement facilities in the Netherlands Antilles. It was pointed out the treaty they have been offered preserves more than 80 percent of the revenue sources which the Netherlands Antilles has now. (S)

The Chairman concluded by saying that we are against the idea of tax havens. We should negotiate in good faith for a new tax treaty. If the U.S. Government speaks as one now, we should be able to reach agreement with the Netherlands Antilles. (S)

U.S.-Japan Energy Working Group (C)

The day and a half meeting with the Japanese went well. The Japanese expressed a keen interest in purchasing Alaskan oil. However, their estimates for coal and gas imports from the U.S. were much lower, due to extremely low assumptions about economic growth. The U.S. side stressed the need for the Japanese to consider entering into long-term contracts for coal and gas as a prerequisite for infrastructure expansion in the United States. This, coupled with expanded investment in U.S. energy resources and infrastructure, could contribute to a better environment in which to approach the Congress on the export of oil. A work program was agreed upon and experts from both countries will be meeting before the next Working Group plenary, which is expected to be in early June. (S)

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Classified by Marc E. Leland